

NB CAPITAL CORP  
Form 10-Q  
May 14, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2008  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

**Commission file number 1-14103**

**NB CAPITAL CORPORATION  
(Exact name of registrant as specified in its charter)**

Maryland  
**(State or other jurisdiction of  
incorporation or organization)**

52-2063921  
**(I.R.S. Employer  
Identification No.)**

65 East 55<sup>th</sup> Street, New York, New York  
**(Address of principal executive offices)**

10022  
**(Zip Code)**

1-866-374-8847  
**(Registrant's telephone number, including area code)**

**(N/A)  
(Former name, former address and former fiscal year, if changed since last report)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<b>Class</b>	<b>Outstanding at May 14, 2008</b>
Common Stock	100

par value \$0.01 per  
share

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## NB CAPITAL CORPORATION

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References to \$ are to United States dollars; references to C\$ are to Canadian dollars. On March 31, 2008, the Canadian dollar exchange rate posted by the Bank of Canada was C\$1.0265 = \$1.00 and certain amounts stated herein reflect such exchange rate.

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PART I. FINANCIAL INFORMATION

## ITEM 1(a). Financial Statements

**NB CAPITAL CORPORATION****BALANCE SHEETS**

<i>( in thousands of U.S. dollars )</i>	<b>March 31, 2008 (Unaudited)</b>	December 31, 2007
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	<b>6,779</b>	16,887
Due from an affiliated company	<b>11,725</b>	11,630
Promissory notes - current portion (Note 3)	<b>267,685</b>	297,724
Prepaid expenses	<b>37</b>	36
Accrued interest on cash equivalents	<b>1</b>	5
<b>Total current assets</b>	<b>286,227</b>	326,282
Promissory notes (Note 3)	<b>193,110</b>	152,356
<b>Total assets</b>	<b>479,337</b>	478,638
<b>Liabilities</b>		
Current liabilities		
Due to the parent company	<b>398</b>	419
Accounts payable	<b>82</b>	71
<b>Total liabilities</b>	<b>480</b>	490
<b>Stockholders' equity</b>		
Capital stock and Additional paid-in capital	<b>476,764</b>	476,764
Retained earnings	<b>2,093</b>	1,384
<b>Total stockholders' equity</b>	<b>478,857</b>	478,148
<b>Total liabilities and stockholders' equity</b>	<b>479,337</b>	478,638

See accompanying notes to the financial statements.

**NB CAPITAL CORPORATION****STATEMENTS OF INCOME***(Unaudited)*

<i>( in thousands of U.S. dollars, except per share amounts)</i>	<b>Three-month periods ended</b>	
	<b>2008</b>	<b>2007</b>
	\$	\$
<b>Revenue</b>		
Interest income		
Cash and cash equivalents	<b>409</b>	942
Promissory notes	<b>7,039</b>	6,973
	<b>7,448</b>	7,915
<b>Expenses</b>		
Servicing and advisory fees	<b>398</b>	364
Legal and other professional fees	<b>72</b>	61
	<b>470</b>	425
<b>Net income</b>	<b>6,978</b>	7,490
Preferred stock dividends	<b>6,269</b>	6,270
<b>Income available to common stockholders</b>	<b>709</b>	1,220
Weighted-average number of common shares outstanding	<b>100</b>	100
<b>Earnings per common share - basic and diluted</b>	<b>7</b>	12

See accompanying notes to the financial statements.

**NB CAPITAL CORPORATION****STATEMENTS OF STOCKHOLDERS' EQUITY***(Unaudited)*

<i>( in thousands of U.S. dollars )</i>	<b>Three-month periods ended</b>	
	<b>2008</b>	<b>2007</b>
	\$	\$
<b>Preferred stock</b>		
<b>Balance, beginning and end of period</b>	<b>3</b>	<b>3</b>
<b>Common stock and paid-in capital</b>		
<b>Balance, beginning and end of period</b>	<b>476,761</b>	<b>476,761</b>
<b>Retained earnings</b>		
Balance, beginning of period	<b>1,384</b>	2,444
Net income	<b>6,978</b>	7,490
Preferred stock dividends	<b>(6,269)</b>	(6,270)
<b>Balance, end of period</b>	<b>2,093</b>	3,664
<b>Total stockholders' equity</b>	<b>478,857</b>	480,428

See accompanying notes to the financial statements.

**NB CAPITAL CORPORATION****STATEMENTS OF CASH FLOWS***(Unaudited)*

<i>( in thousands of U.S. dollars )</i>	<b>Three-month periods ended</b>	
	<b>2008</b>	<b>2007</b>
	\$	\$
<b>Operating activities</b>		
Net income	<b>6,978</b>	7,490
Adjustments for :		
Prepaid expenses	<b>(1)</b>	-
Due from an affiliated company	<b>(95)</b>	(8,370)
Due to the parent company	<b>(21)</b>	(1)
Accounts payable	<b>11</b>	10
Accrued interest receivable on cash equivalents	<b>4</b>	21
	<b>6,876</b>	(850)
<b>Financing activities</b>		
Dividends	<b>(6,269)</b>	(6,270)
	<b>(6,269)</b>	(6,270)
<b>Investing activities</b>		
Investment in promissory notes	<b>(91,855)</b>	(118,363)
Repayments of promissory notes	<b>81,140</b>	99,619
	<b>(10,715)</b>	(18,744)
Decrease in cash and cash equivalents	<b>(10,108)</b>	(25,864)
Cash and cash equivalents, beginning of period	<b>16,887</b>	90,212
<b>Cash and cash equivalents, end of period</b>	<b>6,779</b>	64,348

See accompanying notes to the financial statements.

***NB CAPITAL CORPORATION***

***NOTES TO THE FINANCIAL STATEMENTS***

*March 31, 2008*

(unaudited)

*(in thousands of U.S. dollars)*

**1) Incorporation and nature of operations**

NB Capital Corporation (the “Company”) was incorporated under the laws of the State of Maryland on August 20, 1997. The Company's principal business is to acquire, hold, finance and manage mortgage assets. The Company issued, through an Offering Circular dated August 22, 1997, \$300,000 of preferred stock and simultaneously, National Bank of Canada (the “Bank”), the parent company, made a capital contribution in the amount of \$183,000. The Company used the aggregate net proceeds of \$477,000 to acquire promissory notes issued by NB Finance, Ltd. (“NB Finance”), a wholly-owned subsidiary of the Bank.

**2) Significant accounting policies**

***Financial statements***

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are expressed in U.S. dollars.

The interim financial statements for the three-month periods are unaudited, however, the financial statements include, in the opinion of management, all adjustments necessary for a fair presentation. The unaudited financial statements should be read in conjunction with the audited financial statements included in the Company’s annual report for the year ended December 31, 2007 filed on Form 10-K. The interim financial statements may not be an indicator of the results anticipated in the full year.

***Cash and cash equivalents***

Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and have a maturity of three months or less at the acquisition date.

***Promissory notes***

In accordance with Statements of Financial Accounting Standards (“SFAS”) No.115 “Accounting for certain Investments in Debt and Equity Securities” and based on the Company’s intentions regarding these instruments, the Company has classified the Promissory notes as held to maturity and has accounted for them at amortized cost.

***Income taxes***

The Company has elected to be taxed as a Real Estate Investment Trust (“REIT”) under the *Internal Revenue Code of 1986*, as amended, and accordingly, is generally not liable for United States federal income tax to the extent that it distributes at least 90% of its taxable income to its stockholders, maintains its qualification as a REIT and complies with certain other requirements. There is no unrecognized tax benefits.

***Per share data***



Basic and diluted earnings per share with respect to the Company for the three-month periods ended March 31, 2008 and 2007 are computed based on the number of common shares outstanding during the period.

**2) Significant accounting policies (continued)*****Interest on promissory notes and cash and cash equivalents***

Interest income on the promissory notes and cash and cash equivalents is accrued using the simple interest method based on the average amount of principal outstanding. The accrual of interest is discontinued when management believes that the collection of interest is doubtful.

***Use of estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Recent accounting standards adopted***

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which allows measurement of specified financial instruments, warranty and insurance contracts at fair value on a contract by contract basis, with changes in fair value recognized in earnings in each period. SFAS 159 is effective at the beginning of the fiscal year that begins after November 15, 2007, and is effective for the Company in fiscal 2008. The Company states that this standard does not have a material impact on its financial position or results of operations.

On September 15, 2006, the FASB issued FASB Statement No.157, "Fair Value Measurements" ("FAS 157"), which establishes a framework for measuring fair value in GAAP, and is applicable to other accounting pronouncements where fair value is considered to be the relevant measurement attribute. FAS 157 also expands disclosures about fair value measurements and is effective for the Company since January 1, 2008. However, the Company states that this standard does not have a material impact on its financial reporting and disclosure.

**3) Promissory notes**

The Company entered into loan agreements evidenced by promissory notes with NB Finance, an affiliated company. The promissory notes are collateralized by mortgage loans which are secured by residential first mortgages and insured by the Canada Mortgage and Housing Corporation.

The promissory notes have maturities ranging from April 2008 to January 2015, at rates ranging from 5.37% to 10.15%, with a weighted average rate of approximately 5.73% per annum.

The fair value of the promissory notes as at March 31, 2008 is \$470,866. Fair value is estimated by using the present value of expected future cash flows and may not be indicative of the net realizable value.

Promissory notes as of December 31, 2007	\$450,080
Acquisitions	91,855
Principal repayments	(81,140)
Promissory notes as of March 31, 2008	\$460,795

The scheduled principal repayments on a year end basis as of March 31, 2008 are as follows:

2008	\$232,644	2013	\$5,627
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2009	\$139,142	2014	\$2,722
2010	\$20,689	2015	\$8,521
2011	\$33,530		
2012	\$17,920		

#### **4) Transactions with an affiliated company**

During the three-month periods ended March 31, 2008 and March 31, 2007, the Company earned interest from NB Finance on the Promissory notes in the amount of \$7,039 (\$6,973 in 2007) (see Note 3).

The amount of \$11,725 due from an affiliate as of March 31, 2008 and \$11,630 as of December 31, 2007 represents interest and principal repayments due on the promissory notes from NB Finance.

#### **5) Transactions with the parent company**

The Company has entered into agreements with the Bank in relation to the administration of the Company's operations. The agreements are as follows:

##### ***Advisory agreement***

In exchange for a fee equal to \$100 per year, payable in equal quarterly installments, the Bank will furnish advice and recommendations with respect to all aspects of the business and affairs of the Company. During the three-month periods ended March 31, 2008 and March 31, 2007, fees of \$25 (\$25 in 2007) were charged to the Company.

##### ***Servicing agreement***

The Bank services and administers the promissory notes and the collateralized mortgage loans and performs all necessary operations in connection with such servicing and administration in exchange for a monthly fee based upon the outstanding balance of the collateralized mortgage.

The monthly fee equals one-twelfth (1/12) of 0.25% per annum of the aggregate outstanding balance of the collateralized mortgage loans as of the last day of each calendar month. For the three-month periods ended March 31, 2008 and March 31, 2007, the average outstanding balance of the collateralized mortgage loans were \$530,393 and \$508,662 respectively. During the three-month periods ended March 31, 2008 and March 31, 2007, fees of \$373 (\$339 in 2007), were charged to the Company.

##### ***Custodial agreement***

The Bank holds all documents relating to the collateralized mortgage loans. During the three-month periods ended March 31, 2008 and March 31, 2007, no fee was charged to the Company for custodial services.

##### ***Interest on cash and cash equivalents***

The Company received interest on cash and cash equivalents held with the Bank for the three-month periods ended March 31, 2008 and March 31, 2007 in the amounts of \$409 and \$942 respectively.

#### **6) Stockholders' equity**

*(in U.S. dollars)*

##### ***Common stock***

The Company is authorized to issue up to 1,000 shares of \$ 0.01 par value common stock. To date:

100 shares have been authorized and issued to the Bank.

##### ***Preferred stock***

The Company is authorized to issue up to 10,000,000 shares of \$0.01 par value preferred stock. To date:

300,000 shares of preferred stock have been authorized and issued as 8.35% Noncumulative Exchangeable Preferred Stock, Series A ("Series A Preferred Shares"), non-voting, ranked senior to the common stock and junior to the

Adjustable Rate Cumulative Senior Preferred Shares, with a liquidation value of \$1,000 per share, redeemable at the Company's option on or after September 3, 2007, except upon the occurrence of certain changes in tax laws in the United States or in Canada, on or after September 3, 2002. These Series A Preferred Shares are traded on the New York Stock Exchange in the form of Depository Shares, each Depository Share representing a one-fortieth interest therein.

- Each Series A Preferred Share is exchangeable, upon the occurrence of certain events, for one newly issued 8.45% Noncumulative First Preferred Share, Series Z, of the Bank.
- 1,000 shares of preferred stock have been authorized (110 issued) as Adjustable Rate Cumulative Senior Preferred Shares, non-voting, ranked senior to the common stock and to the Series A Preferred Shares with a liquidation value of \$3,000 per share, redeemable at the Company's option at any time and retractable at the holder's option on December 30, 2007 and every ten-year anniversary thereof.

## ITEM 1(b). NATIONAL BANK OF CANADA SUMMARIZED FINANCIAL INFORMATION

Note 6 of the Notes to the Financial Statements of the Company states that each Series A Preferred Share is exchangeable, upon the occurrence of certain events, for one newly issued 8.45% Noncumulative First Preferred Share, Series Z, of the Bank. Below is the summarized financial information for the Bank for the first quarter of its 2008 fiscal year which ended January 31, 2008.

**Highlights**

Quarter ended January 31  
(unaudited)

	2008	2007	%
			Change
<b>Operating results</b>			
(millions of Canadian dollars)			
Total revenues	\$929	\$989	(6)
Net income	255	240	6
Return on common shareholders' equity	22.9%	20.7%	
<b>Per common share</b>			
Earnings - basic	\$1.58	\$1.45	9
Earnings - diluted	1.58	1.43	10
Dividends declared	0.62	0.54	15
Book value	28.13	28.34	(1)
<b>Stock trading range</b>			
High	54.25	66.59	
Low	45.15	61.36	
Close	50.53	64.29	
<b>Financial position</b>			
(millions of Canadian dollars)			
	January 31	October 31	
	2008	2007	
Cash resources and securities	56,262	48,564	16
Loans and acceptances	52,095	52,045	0
Other assets	11,767	12,476	(6)
Total assets	\$120,124	\$113,085	6
Deposits	73,122	70,798	3
Other liabilities	38,833	35,085	11
Subordinated debentures	1,656	1,605	3
Non-controlling interest	1,664	960	73
Preferred shares	400	400	-
Common shares	1,590	1,575	1
Contributed surplus	33	32	3
Retained earnings	2,941	2,793	5
Accumulated other comprehensive income (loss)	(115)	(163)	(29)
Total liabilities and shareholder's equity	\$120,124	\$113,085	6
<b>Capital ratios - BIS under Basel II</b>			
Tier 1	9.3%		

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Total	<b>12.9%</b>	
Capital ratios - BIS under Basel I		
Tier 1	<b>9.8%</b>	<b>9.0%</b>
Total	<b>13.5%</b>	<b>12.4%</b>
Impaired loans, net of specific and general allowances as a % of loans and acceptances	<b>(168)</b> <b>(0.3)%</b>	(179) (0.3)%
Assets under administration/management	<b>233,835</b>	239,028

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## ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Overview**

*(in thousands of U.S. dollars)*

This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or the Company's management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company's management with respect to future events and the Company's future performance and are subject to certain risks, uncertainties and assumptions. Should management's current view of the future or underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. The Company does not intend to update these forward-looking statements.

The Company was incorporated under the laws of the State of Maryland on August 20, 1997. The Company's principal business is to acquire, hold, finance and manage mortgage assets. The Company issued, through an Offering Circular dated August 22, 1997, \$300,000 Series A Preferred Shares and simultaneously, the Bank, the Company's parent company, made a capital contribution in the amount of \$183,000. The Company used the aggregate net proceeds of \$477,000 to acquire promissory notes ("Promissory notes") issued by NB Finance, a wholly-owned subsidiary of the Bank.

The Company's principal business objective is to acquire, hold, finance and manage assets consisting of obligations secured by real property as well as other qualifying REIT assets ("Mortgage Assets"). The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and accordingly, is generally not liable for United States federal income tax to the extent that it distributes at least 90% of its taxable income, subject to certain adjustments, to its stockholders.

This discussion summarizes the significant factors affecting the Company's results of operations, financial condition and liquidation / cash flows for the first quarter ended March 31, 2008, compared to the same period in 2007. This discussion should be read in connection with the financial statements and notes included in the Company's annual report on Form 10-K for the year ended December 31, 2007.

### **Critical accounting policies**

We believe that there are no critical accounting policies in connection with the preparation of the financial statements of the Company.

### **Results of operations**

*(in thousands of U.S. dollars)*

For the three-month periods ended March 31, 2008 and March 31, 2007, the Company reported net income of \$6,978 and \$7,490 respectively. Revenues for the three-month periods ended March 31, 2008 and March 31, 2007, which were comprised of interest income on promissory notes and cash and cash equivalents, were \$7,448 and \$7,915 respectively, and expenses were \$470 and \$425 respectively. Since the Company has elected to be taxed as a REIT, no income tax was recorded during the period.

Ninety-five percent of revenues for the three-month period ended March 31, 2008 and eighty-eight percent of revenues for the three-month period ended March 31, 2007 were derived from the Mortgage Assets issued by NB



Finance. The proportion of revenues derived from the Mortgage Assets was higher than the corresponding period of 2007, due to the decrease in the interest rate revenues on cash equivalents. The Mortgage Assets issued by NB Finance are collateralized by the "Mortgage Loans" that consist of 46 pools of residential first mortgages insured by the Canada Mortgage and Housing Corporation and which are secured by real property located in Canada. The balance of the revenues results from interest on cash equivalents. These revenues derived from the interest on cash equivalents are lower in 2008 than 2007 due to a decrease in the amount of the deposit and in the interest rate on term deposits held in New York (approximate average deposit of \$57,693 with a rate ranking from 1.75% to 3.75% in the first quarter of 2008 versus approximate average deposit of \$84,500 with a rate of 4.75% in the first quarter of 2007). The Company believes that the majority of revenues will continue to be generated by the Mortgage Assets issued by NB Finance.

Expenses for the three-month periods ended March 31, 2008 and March 31, 2007 totaled \$470 and \$425 respectively, of which \$398 and \$364, respectively, represent servicing and advisory fees paid to the Bank, the Company's direct parent, pursuant to the Servicing Agreement between the Bank and the Company (the "Servicing Agreement") and the Advisory Agreement between the Bank and the Company (the "Advisory Agreement"), whereby the Bank performs all necessary operations in connection with administering the Mortgage Assets issued by NB Finance and the Mortgage Loans. Expenses other than servicing and advisory fees paid to the Bank were legal and professional fees, including payments to the transfer agent, and totaled \$72 and \$61 for the three-month periods ended March 31, 2008 and March 31, 2007 respectively.

During the three-month periods ended March 31, 2008 and March 31, 2007, the Board of Directors of the Company authorized dividends, in the aggregate, of \$6,269 and \$6,270 respectively on its Adjustable Rate Cumulative Senior Preferred Shares and the Series A Preferred Shares and, accordingly, the Depository Shares. Such dividends were paid on March 31, 2008 and March 30, 2007.

### **Capital Resources and Liquidity**

*(in thousands of U.S. dollars)*

The Company's revenues are derived from interest payments from the Mortgage Assets. As of March 31, 2008, \$460,795 Mortgage Assets issued by NB Finance were collateralized by C\$642,606 (\$575,994) of Mortgage Loans. The Company believes that the amounts generated from the payment of interest and principal on such Mortgage Loans will provide more than sufficient funds to make full payments with respect to the Mortgage Assets issued by NB Finance and that such payments will provide the Company with sufficient funds to meet its operating expenses and to pay quarterly dividends on the Senior Preferred Shares (see Note 6 of Financial Statements) and the Series A Preferred Shares (see Note 6 of Financial Statements) and, accordingly, the Depository Shares (see Note 6 of Financial Statements). To the extent that the cash flow from its Mortgage Assets exceeds those amounts, the Company will use the excess to fund the acquisition of additional Mortgage Assets and make distributions on the Common Stock.

The Company does not require any capital resources for its operations and, therefore, it is not expected to acquire any capital assets in the foreseeable future.

As of March 31, 2008, the Company had cash and cash equivalents of \$6,779 representing 1.41% of total assets, compared to \$64,348 representing 13.38% of total assets and \$16,887 representing 3.53% of total assets, as of March 31, 2007 and as of December 31, 2007 respectively. The cash and cash equivalents decreased because the Company increased its investments in promissory notes issued by NB Finance. The liquidity level is sufficient for the Company to pay fees and expenses pursuant to the Servicing Agreement and the Advisory Agreement. The Company made a purchase of additional Mortgage Assets on March 26, 2008.

The Company's primary business is to invest in Promissory notes issued by NB Finance and then receive repayments of capital and interest on a monthly basis. For the three-month periods ended March 31, 2008 and March 31, 2007, the Company invested \$91,855 and \$118,363, respectively, into Promissory notes and received \$81,140 and \$99,619, respectively, in repayments of capital.

The Company's principal short-term and long-term liquidity needs are to pay quarterly dividends on the Senior Preferred Shares and the Series A Preferred Shares and, accordingly, the Depository Shares, to pay fees and expenses of the Bank pursuant to the Servicing Agreement and the Advisory Agreement, and to pay advisors, if any, of the Company.

### **Disclosure of Contractual Obligations**

The Company does not have any indebtedness (current or long-term), material capital expenditures, balloon payments or other payments due on other long-term obligations. No negative covenants have been imposed on the Company.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There has been no significant change in the market risks faced by the Company since December 31, 2007. For information regarding the Company's risks refer to the information under the caption "Disclosure About Market Risk" below and to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

## Disclosure About Market Risk

Any market risk to which the Company would be exposed would result from fluctuations in: (a) interest rates and (b) currency exchange rates affecting the interest payments received by the Company in respect of the Mortgage Assets issued by NB Finance. Since the Mortgage Assets are significantly over collateralized by the Mortgage Loans, interest rate fluctuations should not present significant market risk. The Company expects that the interest and principal generated by the Mortgage Loans should enable full payment by NB Finance of all of its obligations as they come due. Since the Mortgage Loans are guaranteed by a fixed ratio of exchange predetermined on the date of purchase and applicable until the maturity of the Mortgage Loans pursuant to the Mortgage Loan Assignment Agreement, fluctuations in currency exchange rates should not present significant market risk.

## ITEM 4. CONTROLS AND PROCEDURES

See Item 4T.

## ITEM 4T. CONTROLS AND PROCEDURES

(a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, as amended, is recorded, processed, summarized and reported, within time periods specified in the Securities and Exchange Commission's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, as amended, is accumulated and communicated to our management, including our President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of March 31, 2008, under the supervision and with the participation of our President and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the President and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

(b) Changes in Internal Controls. There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended March 31, 2008, that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## PART II - OTHER INFORMATION

## ITEM 5. OTHER INFORMATION

On April 28, 2008, the Company revised its Code of Business Conduct and Ethics to change one of the officers to whom any questions regarding the Code of Business Conduct and Ethics can be forwarded and any complaints or concerns under the Company's accounting, audit matters or violation of the law can be submitted as well as other minor changes to the wording of the Code. The Company is attaching the revised Code of Business Conduct and Ethics as an exhibit to this quarterly report.

ITEM 6. EXHIBITS

Exhibit No.	Description
11	Computation of Earnings Per Share
14	Code of Business Conduct and Ethics
31.1	Certification of Chairman and President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chairman and President Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NB CAPITAL CORPORATION

Date : May 14, 2008 /s/ Donna Goral  
Donna Goral  
Chairman of the Board and President

Date : May 14, 2008 /s/ Jean Dagenais  
Jean Dagenais  
Chief Financial Officer